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INTRODUCTION

The Office of Internal Audit performed an audit of Clare County FIA for the period October 1, 2000 through December 12, 2001. The objective of our audit was to determine if internal controls in place at the local offices provide reasonable assurance that departmental assets are safeguarded, transactions are properly recorded on a timely basis, and policies and procedures of the Michigan Family Independence Agency (FIA) are being followed. Clare County FIA had 39 full time equated positions (FTE's) at the time of our review. Clare County FIA provided assistance to an average 2,882 recipients per month in FY 2000, with total assistance payments of \$3,441,333 for the fiscal year.

SCOPE

Our audit was performed in accordance with Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors. We obtained descriptions of significant systems operating at Clare County FIA, documented those systems, and evaluated controls in each system. We tested the systems for compliance, where feasible. Our audit included the following:

Cash Receipts	Cash Disbursements
General Ledger	Modified Accrual Basis Balance Sheet
Safe and Controlled Documents	Medical Transportation
State Emergency Relief (SER)	Employment Support Services
Client Processing	CIS/ASSIST
IRS Information Security	Payroll and Timekeeping
Procurement Card	Contracting
State Vehicles	

EXECUTIVE SUMMARY

Based on our audit, we conclude that the Clare County FIA internal controls are generally adequate to provide management with reasonable assurance that assets are safeguarded and transactions are executed in accordance with management's authorization. However, Client Information System and ASSIST system access controls need improvement.

LOCAL OFFICE RESPONSE

The management of Clare County FIA has reviewed all findings and recommendations included in this report. They indicated in a memorandum dated January 11, 2002 that they are in general agreement with the report.

Cash Receipts

No findings in this area.

Cash Disbursements

No findings in this area.

General Ledger

No findings in this area.

Modified Accrual Basis Balance Sheet

No findings in this area.

Safe and Controlled Documents

No findings in this area.

Medical Transportation

No findings in this area.

State Emergency Relief

Supporting Documentation for State Emergency Relief Payments

1. Clare County FIA did not follow established procedures for State Emergency Relief (SER) payments submitted to staff for reconciliation with the FIA-849, 93A Issuance Report (ES440). Review of the October 2001 ES440 Report disclosed twenty five of thirty seven payments that did not have original documentation (they had copies instead) attached to the Authorization Invoice (FIA-849) and screen printout on file in the Fiscal Office. Eighteen payments did not have a worker's signature and three payments did not have documentation that supported the amount paid.

Primary Internal Control Criteria for Local/District Office operations and Accounting Manual (ACM) 404, page 3, requires an original invoice/bill from the vendor to be attached to the FIA-849/screen print forwarded to the fiscal office for reconciliation to the ES4-40 report.

Attaching the original invoice/bill for the amount to be paid to the copy of the FIA-849 used for reconciliation with the ES-440 report and requiring the worker to sign the FIA-849 helps ensure that payments are accurate and appropriate.

WE RECOMMEND Clare County FIA attach the original invoice/bill for the amount to be paid to the reconciliation copy of the Authorization Invoice (FIA-849) as required by the FIA Internal Control Criteria and Accounting Manual Item 404.

WE ALSO RECOMMEND the Clare County FIA workers sign all Authorization Invoices (FIA-849/screen printouts).

Employment Support Services

No findings in this area.

Client Processing

No findings in this area.

CIS/ASSIST

Client Information System (CIS) Status Codes

2. Clare County FIA had assigned Client Information System (CIS) status codes that were inconsistent with staff job responsibilities.

Reception staff had been assigned either “FLM” or “CRS” on CIS and also had ASSIST job type 360 (Registration Support Clerk). This combination would allow reception staff to register and open cases. The Family Independence Managers had been assigned “FIS” status on CIS. This status would allow the managers to process transactions for cases with no independent review of those transactions.

Assigning CIS status codes to allow staff access to transactions that are inconsistent with their job functions or responsibility increases the risk of unauthorized transactions being processed that would not be detected in a reasonable period of time.

WE RECOMMEND Clare County FIA either change the Client Information System (CIS) status codes of the reception staff to Inquiry (INQ or IRG) status on CIS or

customize their status to ensure that they do not have the capability to register and open cases.

WE ALSO RECOMMEND Clare County FIA either change the CIS status codes of the Family Independence Managers to inquiry status on CIS (INQ or REG), or have independent staff review any supervisor transactions that appear on the Transaction Control Report (MA010).

Client Information System (CIS) and ASSIST Enrollment Profile/Security Agreements

3. Clare County FIA did not have current and accurate Client Information System (CIS) Security Agreements (FIA-3974A) or ASSIST Enrollment Profiles (FIA-3720) on file for some staff who access CIS and ASSIST.

Our review disclosed one CIS Enrollment /Security Agreement (FIA-3974A) form that was not signed by staff and two FIA-3974A forms on file that did not have a status shown. In addition, one staff had a status code on the Operator Identification Report (PF-011) and eight staff had job types on the ASSIST Monthly User Listing (VB-9554) that were not reported on the forms.

CIS Security Policy L-Letter L-97-063 requires an FIA-3974A or FIA-3720 and FIA-3721 to be prepared for all new users of CIS and ASSIST and for all current operators each time an enrollment change is proposed.

WE RECOMMEND Clare County FIA review the Client Information System Enrollment Profile/Security Agreements (FIA-3974A) and ASSIST Enrollment Profiles (FIA-3720) to determine that correct and accurate forms are on file for all staff.

WE ALSO RECOMMEND Clare County FIA review the Operator Identification Report (PF-011) and the ASSIST Monthly User Listing (VB-9554) to ensure that all staff have the job types that are authorized.

Monitoring Supplemental Payments

4. Clare County FIA did not always follow established procedures for monitoring supplemental payments. The workers did not always forward a copy of the screen print of the accepted transaction to the staff responsible for verifying the screen printouts with the Supplemental Payments Listing (SP-270).

For the month of July 2001, the screen print of the accepted transaction for four of the eleven payments listed was not sent to the staff reconciling the screen print with the SP-270 report. Program Administrative Manual Item 405, page 2, instructs the worker to send the original screen copy to the fiscal unit.

Verifying the accepted screen transaction with the SP-270 report provides assurance that the payments are accurate.

WE RECOMMEND Clare County FIA have the workers send the accepted screen transaction for all supplemental payments to the staff verifying the payment with the Supplemental Payments Listing (SP-270).

IRS Information Security

No findings in this area.

Payroll and Timekeeping

No findings in this area.

Procurement Card

No findings in this area.

Contracting

No findings in this area.

State Vehicles

No findings in this area.